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GHANA'S ECONOMIC RELATIONS WITH

THE SOVIET-BLOC COUNTRIES:

A STUDY OF THE CRITICAL PERIOD 1959-1965

BY

KWADWO ANSONG

A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE

REQUIREMENTS FOR THE DEGREE OF

MASTER OF SCIENCE

IN

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UNIVERSITY OF RHODE ISLAND

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1968

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ABSTRACT

In the past eight years, Ghana, like the rest of the Sub-Sahara nations, established economic relations with the bloc nations. The idea behind this move was that economic relations with other nations would extricate Ghana's economy from foreign dominance and eventually help realize both economic and political objectives set forth in the post-independence years.

The purpose of this study was to survey the economic exchanges between Ghana and the Soviet-bloc nations and to assess its impact on the Ghanaian economy.

The following conclusions were drawn after the study:

1) Ghana diverted a small but significant portion of her trade with the traditional traders to the Soviet-bloc nations and trade has increased in both volume and value.

For example, Ghanaian imports from the bloc nations in 1961 were N£18,721 and had reached a level of N£101,027 in 1965.

2) That the trade has involved the primary raw materials from the area in exchange for manufactured goods from the bloc nations. Examples of the major raw materials were cocoa, hardwood, etc. and those for manufactured goods were tractors, transport equipment, agricultural machinery, etc.

3) Expanded trade and aid neither reduced Ghana's balance of payments deficits nor provided the much needed foreign exchange. From this we can see that trade and aid was not necessarily the final answer to Ghana's economic

problems but that a realistic trade policy, as that adopted in the post-coup period, was needed to ensure economic stability and political neutrality.

4) All in all, Ghana's trade and aid experience with the bloc nations was very much similar to those which existed during the colonial economic period. This suggests that policies adopted by the newly emancipated underdeveloped countries will result only in marginal short-term changes as a result of the colonial heritage, geography and economic necessity.

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INTRODUCTION

Before independence, the metropolitan European powers, principally Britain, France and Belgium, controlled both the external trade and the commercial policies of their respective colonies. But when these colonies once attained independence, they established new economic relations with a number of foreign governments in addition to their erstwhile colonial masters. This has been particularly true of Ghana which, since 1957, has not only renewed and enlarged its economic ties with West European nations but has extended its trade and commercial network to include some of the communist bloc countries. The purpose of this extension has been to introduce a number of counterbalancing elements into Ghana's long established, extreme economic dependency upon western nations.

Directly involved in new Ghanaian-Soviet bloc economic relationships are (a) exports composed of primary raw materials and agricultural products and (b) imports of manufactured goods. These exchanges, typical between less and more developed economies, have been financed by both long-term and short-term credits, sometimes generously extended by the bloc nations.

The bloc nations have described the aim of this relationship simply in terms of mutual economic advantage; Ghana, on the other hand, has viewed the new economic relations both as a much needed spur to further her economic

growth and development and as an opportunity to explore commercial options not elsewhere available. Furthermore, the promotion of trade and economic aid with the communist nations, it was hoped, would further a course of neutrality in international relations which Ghana had set for herself at the beginning of her national independence.

The primary purpose of this essay is to review the experience in the critical period of independence, 1959-65, to see whether these professed Ghana-Soviet goals have indeed been advanced. This period is described as "critical" because Ghana was undergoing a very rapid economic, social and political transition and transformation and encountering problems of independence never faced before. As one example, the population of the young nation was growing and its needs multiplying yet the price of cocoa, Ghana's main crop and source of exchange, was falling. Faced with such problems, the government of Ghana sought foreign assistance to industrialize and modernize its agriculture.

This study is divided into three main chapters in addition to this short introductory statement. Chapter II reviews the general Colonial background and the objectives of communist-bloc trade and aid relations with all the newly formed African states south of the Sahara. The aim is to establish a larger, regional framework in terms of which Ghana-communist bloc trade and aid can be evaluated.

In Chapter III, Ghanaian-communist economic relations are specifically reviewed for the critical period of

1959-1965. The review includes materials on the size and composition of Ghana's imports from and its exports to each bloc country. The devices used to underwrite trade and aid and other related elements in the Ghanaian-communist-bloc economic relations are also explored.

Chapter IV evaluates the significance of the economic relations between Ghana and the Soviet-bloc countries, with particular reference to their impact on the Ghanaian economic structure and its significance for growth. Serious attention is also given to the probable future course of Ghanaian-communist-bloc relations.

Throughout this essay, the terms communist-bloc, communist nations, bloc nations and Soviet-bloc countries have been used interchangeably. Each of these terms would refer to the Soviet Union, Mainland China, and Eastern Europe -- composed of Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Rumania and Yugoslavia. Albania may be mentioned in passing.

Also Sub-Sahara Africa, area, region, states, countries or nations used interchangeably throughout this essay may refer to all independent countries which are located within the tropical belt with the exception of South Africa.

The account which follows is largely based on reports, monographs and other public documents of the government of Ghana, and on various United Nations publications on Africa's economic progress. Information was drawn from a number of

United States Department of State and Department of Commerce reports and other relevant materials from journals, articles, newspapers and like sources. Efforts to obtain corroborative data or information from the communist-bloc nations, however, have only been marginally successful and is an acknowledged shortcoming in this essay. Yet the subject of Ghana's economic policies since independence has been of such importance that even partial insight into this process and its consequences have been felt to be worth the effort.

II

GENERAL BACKGROUND AND THE OBJECTIVES OF SUB-SAHARA AFRO-COMMUNIST-BLOC ECONOMIC RELATIONS

Background.

As it is rather generally known, the "scramble for Africa" during the latter part of the 19th Century by western European nations represented a continuation of the political and economic penetration of the Sub-Sahara region first started by the Portuguese as early as the 13th Century. For example, history books tell us that Prince Henry the Navigator financed expeditions to the west coast of Africa, Pedro de Cuna landed in Sierra Leone in 1462, and in 1482 the Portuguese under Don Diego d'Azombuja reached Ghana (the Gold Coast), where a fort was built at Elmina which also served as a trading outpost.¹ Ivory, gold and slaves (the latter a source of cheap labour on the West Indian sugar cane plantations) were the major items involved in this commerce. The region's potential as a source of raw materials later resulted in a vigorous competition by the Dutch, Danish, French and English merchants for commercial rights and the foreigners fought amongst themselves for favoured positions. In 1884-85, the Berlin Conference gave to each European country its "sphere of influence" in the Sub-Sahara area

¹W.E. Ward, A Short History of Ghana (London: Longman's Green and Company Limited, 1960), pp. 53-54.

but it was not until the signing of the Treaty of Versailles in 1919 that sharply defined political boundaries were drawn. With these arrangements the balkanization of the Sub-Sahara region was complete. Exclusive trading rights were allocated to outsiders, the native Africans were given virtually no say in trade policies formulated abroad and the resultant economic exploitations was enforced by the appointed colonial governments. Thus, W.E.B. DuBois in his book, The World and Africa, wrote:

Colonial governments are virtually ruled by investors in England. Investors not only dictate the choice of governors, but these governors have the sole right of legislation under the Colonial Office in London. They are 'advised' by councils on which business interests were directly represented.²

In addition to these problems of economic imbalance created by colonialism or the "dualistic" system which stemmed from it other factors contributed to impede development. Prominent among these have been chronic unemployment, low agricultural and industrial productivity and sharply increasing population levels which tend to reduce the possibility of saving and accumulating capital. Customs and traditions as well as topography have also worked against any attempts to transform the subsistence sectors of the regional economy into a more viable regional economic entity.

Thus, the immediate and conspicuous result of foreign

²W.E.B. DuBois, The World and Africa, An Inquiry Into the Part Which Africa Has Played in World History (New York: International Publishers Company, 1965), p. 247.

or colonial enclaves in the Sub-Sahara region was a serious and continuous distortion of the pattern and structure of the traditional agrarian economic order. And it was at least partially to effect changes in the subordinated economic status of the peoples of the Sub-Sahara that modern African nationalism developed as a political movement seeking independence as the principal device for furthering balanced development and for recasting economic and social policies in favour of the indigenous population.

The post-independence period witnessed a drastic expansion of many centrally directed activities which were designed to channel commercial transactions toward nations that had hitherto had little, if any, role in the Sub-Sahara regional economy. This development was in sharp contrast to the practices of pre-independence period when the Sub-Sahara colonial powers virtually prohibited all economic ties with the communist nations. A major achievement of independence, therefore, was that options to trade with non-Europeans as well as Europeans or with communist nations as well as non-communist nations, emerged as viable and realistic economic possibilities. This development also opened the door for an expansion of the volume of trade and implied at least in part, the acceptance and the use of foreign economic help from any nation regardless of its political or ideological affiliation that could contribute to Sub-Sahara regional economic growth and development.

In sum, the overall aims of these post-independence policies were to restructure and to recast the basic economic

direction of the region without which even the elementary material needs of the regional Sub-Sahara could not be met. Correlated with the implementation of these new directions, economic activities in the private sector of the economy were also encouraged. But an even greater emphasis was given to government economic planning and direction.

Post-independence Sub-Sahara Objectives.

To seek new markets, mechanize agriculture, diversify their crops, improve their balance of payments, and where possible, obtain economic aid from other governments, the new nations of Sub-Sahara set out the following as their goals:

First: to channel a portion of their foreign trade to the communist-bloc nations both to expand the existing market for Sub-Sahara products and to limit dependency on western markets which had hitherto absorbed such products.

Second: to negotiate highly attractive trade and aid agreements proffered by the bloc nations. In the pre-independence period the Sub-Sahara nations had made their payments for goods imported from other foreign trading concerns in cash. After independence, however, the bloc nations in fostering economic relations with the Sub-Sahara area agreed to supply identical goods based on barter agreements. Since such barter arrangements would invariably reduce pressures on the very scarce foreign exchange of the Sub-Sahara states, it was a major goal of policy in the 1959-1965 years.

Third: to dispose of surplus raw materials to bloc nations which otherwise would be dumped on the world commodity

markets and eventually depress the going market prices for the commodity.³

Fourth: to take full advantage of the liberal interest rates on aid or loans from the bloc nations. While interest rates on western loans and credits ranged between 5 percent and 7 percent, the interest charges on similar loans or aid from the bloc nations for same length of time, were between 1 percent and 2½ percent.⁴ Although the Sub-Sahara states welcomed foreign capital, serious skepticism created by long colonial affiliation caused most ex-colonial countries to re-examine their new relations with their previous masters and to question the advisability of accepting large foreign investments lest they dominate and control economic activities or interfere unduly in the internal affairs of the new nations.

On the whole, economic cooperation with other nations has been given serious thought by the nations of Sub-Sahara. However, they have not neglected political considerations or their impact on economic matters. Thus to avoid being drawn into the cold war, the Sub-Sahara states adopted a non-alignment policy in their relations with other nations.⁵ It was designed to enable them to trade and to accept economic

³ J.S. Berliner, Soviet Economic Aid: The New Aid and Trade Policy In the Underdeveloped Countries (New York: Frederick A. Praeger Incorporated, 1958), p. 20.

⁴ H.J.P. Arnold, Aid For Developing Countries (Pennsylvania: Dufour Editions, 1962), p. 106.

⁵ Fritz Schatten, Communism in Africa (New York: Frederick A. Praeger Publishers, 1966), p. 175.

aid from any nation without incurring the risk of being committed to any ideological group. On the other hand, the adoption of a policy of neutralism has not deterred the Sub-Saharan nations from identifying with either western or communist nations on matters of mutual concern. Similar reactions have often come from abroad.

Soviet-bloc objectives.

In order to establish successful trade and aid relations with the Sub-Saharan area, the bloc countries also set new policies. These new policies were formulated with the objective of meeting bloc nations' national interests and at the same time providing for the economic needs of the Sub-Saharan area. To implement such objectives, the bloc nations adopted very flexible trade and aid policies which were in sharp contrast to those enforced during the Stalin era. Economic policies of that period were directed toward "autarky" and a sort of monolithic or isolationist economic policy followed.⁶ This kind of policy was necessary because the bloc nations were still undergoing post-war economic reconstruction and were not in a position to engage in any serious economic activities outside their own orbit. Also, it will be remembered, the Sub-Saharan nations were still colonized and were considered as mere appendages of imperial powers. Even the African nationalists were considered as

⁶ Alvin Z. Rubinstein, The Foreign Policy of the Soviet Union (New York: Random House, 1966), p. 175.

"bourgeois nationalists" and their attempts to cast away the shackles of colonialism were misunderstood. However, the Soviet bloc's attitude toward the Sub-Sahara area changed when political independence was achieved. It was evident that the struggle for Sub-Sahara economic independence was crucial and when the Khrushchev regime recognized the opportunities involved, it re-adjusted its economic relations by intensely cultivating the friendship of the new nations,⁷ both as a challenge to the west and as a demonstration of its willingness to help the region. In making this move, the bloc nations hoped, of course, to find export markets for finished goods which could not gain access into western markets. At the same time, the bloc countries could obtain the necessary raw materials for domestic consumption and industrial use.⁸ One major student of Soviet interests has noted that on the whole, "economic motivation is undoubtedly the dominant factor behind increased trade ... but important political interests are frequently served"...⁹ through these relations.

As a part of their cold war strategy, the bloc nations have sought to "woo" the Sub-Sahara nations into the socialist camp; hence most of their economic exchanges have been concentrated on Sub-Sahara states which have favoured "African

⁷Rubinstein, ibid., pp. 396-397.

⁸Raymond F. Mikesell and Jack N. Behrman, Financing Free World Trade With the Sino-Soviet Bloc (New Jersey: Princeton University, 1958), p. 26.

⁹Loc. cit., p. 25.

Socialism" as for example Ghana, Guinea and Mali. However, they have also supported monarchies such as Ethiopia with the view to maintaining their old trade ties and thus counter-balance western influence.¹⁰

Devices used in underwriting trade and aid agreements.

Trade and aid between the Sub-Sahara nations and the bloc countries have been primarily fostered through government agents or representatives which serve as the main channels for negotiation. However, other devices for underwriting trade and aid agreements have been developed and used.¹¹ To promote trade and aid, trading partners from both the Soviet nations and the Sub-Sahara area have participated in world trade fairs where various wares available from each participating country have been displayed for examination. In this way, prospective customers have had the opportunity to compare quality and prices in order to make their choice from many offers.

In addition, educational and cultural exchanges have been used as supplementary techniques. But on the whole, protocol negotiations have emerged as the most pre-dominant devices for facilitating continuous economic ties between the two regions. Usually the provisions of each negotiation specify the nature of the transaction, (as to whether it would

¹⁰ Zbigniew Brezenski, Africa and the Communist World (California: Stanford University Press, 1963), pp. 30-31.

¹¹ Mikesell, ibid., p. 30.

be based on multi lateral or bilateral trade agreement or that payments would be made in cash or through barter exchanges), the interest rate on credits or loans and the time within which such payments were due, would be stated in the document.¹² Although the Sub-Sahara area states negotiated most of their trade agreements on multilateral bases with the traditional traders from the west, bilateralism became the cardinal point of trade and aid agreements with the centrally planned economies of the bloc nations. According to R.F. Mikesell, the use of bilateral agreements,

provides a general method of financing current trade between two countries, giving rise to credits which are freely available for use by one country in making payments for goods and services imported from the other.¹³

Thus such bilateral agreements negotiated between the Sub-Sahara nations and the bloc nations, assured the former that any trade balances would be settled by goods from the debtor nations. Over the 1959-1965 period, bilateralism therefore has featured significantly as the means by which numerous commodities have been exchanged between the various trading partners.¹⁴

The basic export items from the Sub-Sahara region have included such traditional raw materials notably cotton, cocoa,

¹²Brezenski, ibid., p. 60.

¹³Raymond F. Mikesell, Foreign Exchange in Postwar World (New York: Twentieth Century, 1954), p. 86.

¹⁴Rubinstein, ibid., pp. 393-394.

peanuts, hardwoods and many other tropical products. The import list has been composed mainly of manufactured goods including both durable and non-durable goods. Of the non-durables foodstuffs, apparel and other textile products have counted most. Durables have been made up of metal products, machinery, both electrical and non-electrical, transport equipment and other miscellaneous manufacturing items. While most of the non-durables were for domestic consumption, the manufactured goods were used in establishing import substitute industries or for processing and curing local raw materials for consumption and export.¹⁵

Since 1962, general trade between the Sub-Sahara region and the bloc nations has expanded. The expansion may be due (a) to the continuous trade between both regions; (b) the increase in the number of independent Sub-Sahara nations trading with the bloc nations;¹⁶ and (c) the increased liberalization and independence of bloc nations in making international trade and aid agreements without first consulting any other bloc nation.

As Tables I and II, pages 15 and 16 show in 1962 the total of selected Sub-Sahara imports from the communist bloc nations totaled 131.1 millions of current U.S. dollars. By 1963 imports amounted to \$152.5 million and by the end of 1964 the import bill was \$174.6 million. Thus communist bloc

¹⁵Economic Survey of Africa, United Nations Vol. 1, Western Sub-region, (E/CN/14/370), 1966, pp. 48-49.

¹⁶Brezenski, ibid., p. 59.

TABLE I

COMMUNIST IMPORTS FROM SELECTED SUB-SAHARA AFRICAN COUNTRIES, 1962-64
(IN MILLIONS OF CURRENT U.S. DOLLARS)

Area and Country	Total			USSR			Eastern Europe			Communist China		
	1962	1963	1964	1962	1963	1964	1962	1963	1964	1962	1963	1964
Total (Africa)	\$145.1	202.4	204.2	59.7	78.1	57.9	66.8	78.9	94.0	18.0	45.4	42.6
Sub-Sahara Region	112.2	157.2	136.2	50.8	63.8	44.6	47.2	54.8	53.1	13.6	37.6	28.8
Angola	1.6	0.5	0.6	--	--	--	1.6	0.5	0.4	0	--	0.2
Cameroon	0.5	--.1	0.6	--	--	--	0.5	--.1	0.6	--	--	--
Congo (Brazzaville)	0.2	0.3	0.9	--	--	--	0.2	0.3	0.6	-- ^a	--	0.3
Ethiopia	1.7	2.3	3.0	1.2	2.0	2.4	0.5	0.3	0.6	x ^a	0	--
Federation of Rhodesia and Nyasaland.....	20.3	25.4	14.0	13.6	16.0	4.3	4.2	8.3	n.a.	2.5	1.1	n.a.
Ghana	28.3	35.6	33.9	16.7	21.6	20.7	10.4	13.5	10.4	1.2	0.5	2.8
Guinea	12.5	13.3	10.1	2.6	2.3	2.2	9.3	10.1	7.6	0.6	0.9	0.3
Ivory Coast	0.2	0.3	2.5	--	--	--	0.2	0.3	2.5	--	--	--
Kenya	0.5	1.7	4.4	--	x	0.1	--	0.7	3.2	0.5	1.0	1.1
Mali	6.9	3.0	6.9	4.4	3.0	3.7	2.5	--	1.2	--	--	2.0
Nigeria	5.2	5.1	12.8	0.8	0.6	4.2	4.4	3.5	7.0	x	--	1.6
Sudan	31.4	45.1	24.2	10.6	17.2	5.0	11.4	15.4	14.3	8.8	12.5	4.9
Tanzania	1.2	12.8	11.2	0.9	1.1	2.0	0.3	1.3	2.7	--	10.4	6.5
Uganda	1.7	11.7	11.1	--	--	--	1.7	0.5	2.0	0	11.2	9.1

^aLess than \$50,000.

n.a. Not available.

SOURCE: Department of State, Director of Intelligence and Research, Research Memoranda, RSB-50, June 17, 1966, Table 2, p. 17.

TABLE II

COMMUNIST EXPORTS TO SELECTED SUB-SAHARA AFRICAN COUNTRIES, 1962-64
(IN MILLIONS OF CURRENT U.S. DOLLARS)

Area and Country	Total			USSR			Eastern Europe			Communist China		
	1962	1963	1964	1962	1963	1964	1962	1963	1964	1962	1963	1964
Total (Africa)	\$178.9	224.2	279.2	59.5	84.3	89.5	87.1	106.6	132.3	32.3	33.3	55.9
Sub-Sahara Region	131.1	152.5	174.6	49.8	58.3	53.2	64.7	74.6	84.8	16.6	33.3	55.9
Angola	0.5	0.5	0.5	--	--	--	0.5	0.5	0.5	x	x ^a	x
Cameroon	1.1	1.1	1.4	--	--	--	1.0	0.9	1.4	0.1	0.2	x
Congo (Brazzaville)	0.2	0.1	0.1	--	--	--	0.2	0.1	0.1	x	0	0
Ethiopia	5.3	6.8	9.3	0.8	1.1	3.3	3.4	4.1	4.2	1.1	1.6	1.8
Federation of Rhodesia and Nyasaland.....	1.8	1.2	1.4	0	0	--	1.5	1.0	n.a.	0.3	0.2	n.a.
Ghana	26.9	41.5	53.1	9.9	16.7	19.5	13.2	22.7	30.9	3.8	2.1	2.7
Guinea	30.6	23.8	21.8	20.0	14.1	9.2	10.1	5.6	4.2	0.5	4.1	8.4
Ivory Coast	2.0	0.1	1.5	--	--	--	0.3	0.1	0.9	1.7	x	0.5
Kenya	0.9	1.8	6.5	--	x	x	0.8	1.5	4.6	0.1	0.3	1.9
Mali	11.6	15.7	17.6	8.6	12.2	13.2	2.2	2.3	1.6	0.8	1.2	2.8
Nigeria	19.6	22.1	28.8	0.1	0.6	1.2	15.1	17.1	18.8	4.4	4.4	8.8
Sudan	28.8	34.8	28.4	10.4	13.6	6.6	14.6	16.9	15.2	3.8	4.3	6.6
Tanzania	1.7	1.7	2.5	0	x	0.2	1.7	1.4	1.4	x	0.3	0.9
Uganda	0.1	1.3	1.7	--	--	--	0.1	0.4	1.0	x	0.9	0.7

^aLess than \$50,000.

n.a. Not available.

SOURCE: U.S. Department of State, Director of Intelligence and Research, Research Memoranda, RSB-50, June 17, 1966, Table 1, p. 12.

exports to selected Sub-Sahara areas showed constant increases. This was true of eastern European communist nations and communist China, but not of the Soviet Union whose exports dropped from a level of \$58.3 millions reached in 1963 to \$53.2 millions shown in 1964.

Total exports from selected Sub-Sahara African nations to the communist bloc nations during the 1962-1964 period were marked by increases and decreases. In 1962, the selected Sub-Sahara regions export total was \$112.2 million dollars. It increased to \$157.2 million in 1963 but dropped off to \$136.2 million current U.S. dollars. Exports to all the bloc nations were characterized by gradual decreases which were experienced by all the Sub-Sahara nations.

As material for comparison, Tables I and II show the import and export levels for selected Sub-Sahara region.¹⁷

As these tables show, the Soviet bloc nations took a passive position in the balance of trade with the selected Sub-Sahara Africa nations which bought from the bloc nations more than they sold to them.

Communist-bloc economic aid to the Sub-Sahara area.

Though great importance has been given to trade between the Sub-Sahara area and the bloc nations, both trading partners have not confined their economic activities to

¹⁷United States Department of State, Director of Intelligence and Research, Research Memorandum, RSB-50: 1966, Communist Governments and Developing Nations: Aid and Trade 1965. Washington: Government Printing Office, 1966.

trade only. A survey of available material showed that trade relations have been supplemented by the granting of economic aid and loans.¹⁸ Over the years 1959-1965, various kinds of economic aid in the form of long-term and intermediate range credits, loans and technical assistance as well as military aid have been extended to the nations of the Sub-Sahara area.

The term aid has been given different interpretations in various instances but as understood below, aid means the transfer of foreign capital or technological and scientific know-how from the bloc nations to the Sub-Sahara region for the purpose of accelerating economic growth and development.

The concept of aid did not originate from the initiation of economic exchanges between Sub-Sahara Africa and the bloc nations. It dates back to the period before World War II when economic aid technical assistance was given by the more well-off nations notably Britain and France to their impoverished overseas possessions. Since then, aid has been given to most developing nations by both private and/or government agencies as well as world organizations for economic development. Until then, it was greatly doubted if the kind of aid offered by the metropolitan governments of the colonial era could seriously be considered as aid, instead of being considered as part of their economic programme for their possessions which in some cases were integral

¹⁸ Ibid., p. 7.

parts of the metropolitan area.¹⁹ Kwame Nkrumah, the former President of Ghana, seemed to support the view that foreign capital of any form from the colonial powers could not be regarded as aid. In Neo-Colonialism: The Last Stage of Imperialism, he noted, "before the decline of colonialism what is known as aid today was simply foreign investment,"²⁰ intended to yield profit to the investors without necessarily enhancing economic growth and development in the Sub-Sahara area. The same idea was shared by Professor Frederick Benham who wrote, "it is pleasant to feel that you are helping your neighbour and at the same time increasing your profits."²¹ From these observations, it could be concluded that in the past, aid was intended to enrich the investors at the expense of the people of Sub-Sahara area.

To correct this undesirable situation, the more developed nations took the initiative in assisting the less developed nations as part of their effort to help reconstruct the economy. In the post-World War II period, the United States set the pace by giving financial aid through the Marshall Plan to the European nations for economic reconstruction. Following the United States' example, Britain,

¹⁹ I.M.B. Little and J.M. Clifford, International Aid, A Discussion of the Flow of Public Resources From Rich to Poor Countries, (Chicago, Illinois: Aldine Publishing Company 1966), pp. 17-18.

²⁰ Kwame Nkrumah, Neo-Colonialism: The Last Stage of Imperialism (London: Thomas Nelson, 1965), p. 51.

²¹ Frederick Benham, Economic Aid to Underdeveloped Countries (London: Oxford University Press, 1962), p. 24.

TABLE III

COMMUNIST ECONOMIC CREDITS GRANTS TO SELECTED
SUB-SAHARA AFRICAN COUNTRIES, 1954-65 AND YEAR 1965
(MILLIONS OF U.S. DOLLARS)

	1954-1965				1965			
	Total	USSR	East Europe	Com. China	Total	USSR	East Europe	Com. China
Total	7,718	5,030	1,873	815	1202	655	488	59
Africa	1,287	729	294	264	94	0	79	15
Sub-Sahara Region.....	886	471	105	210	64	0	49	15
Congo (Brazzaville)	36	9	2	25	0	0	0	0
Ethiopia	119	102	17	0	5	0	5	0
Ghana	231	89	102	40	20	0	20	0
Guinea	120	70	25	25	0	0	0	0
Kenya	62	44	0	18	0	0	0	0
Mali	98	55	23	20	0	0	0	0
Nigeria	14	0	14	0	14	0	14	0
Senegal	7	7	0	0	0	0	0	0
Somalia	85	57	6	22	0	0	0	0
Sudan	32	22	10	0	10	0	10	0
Tanzania	51	0	6	45	0	0	0	0
Uganda	31	16	0	15	15	0	0	15

SOURCE: U.S. Department of State, Director of Intelligence and Research. Research Memoranda, RSB-50, June 17, 1966. Table 1, p. 7.

France, Belgium and other western nations embarked on similar aid projects. With the decline of the so-called aid of the pre-independence period, both private and public or international organizations have given aid to the nations of Sub-Sahara. These aid schemes have been formulated and administered on government to government bases. Since the Soviet bloc nations have given some kind of aid, this type of arrangement has been very suitable to them.

Soviet-bloc nations began to offer aid at the time when economic relations were established. Between 1954-1965, the communist countries credits and grants to Africa amounted to 1,287 million dollars. Of this total, 886 million dollars were allocated to the selected Sub-Sahara African nations. The Soviet Union contributed a total of 471 million dollars and Ghana obtained more than one-half of the total allocated credits and grants. Chinese credits and grants amounted to 210 million dollars of which 45 million dollars were offered to Tanzania, while the eastern European communist nations aid contribution to Tanzania amounted to 6 million dollars. In all, the east European countries total amounting to 205 million dollars were evenly distributed among the Sub-Sahara states.²²

Although the loans and credits from the bloc nations have increased since 1954, they have not reached the same levels as credits and loans offered by the western nations.

²²U.S. Department of State, Research Memorandum, RSB-50, ibid., p. 2.

In 1965 the flow of loans to the Sub-Sahara from the bloc nations were reduced to a minimum. Total credits and loans amounted to 94 million dollars which were contributed by only eastern Europe and China. The Soviet Union gave neither credits nor grants to the region.²³

The credits granted were used for all kinds of industrial and agricultural projects. However, the bloc nations credits have not been restricted to shipments of machines and other equipments for industrial use but also have been made available for the execution of planning and research projects, and also to cover the costs of Soviet-bloc organizations and specialists who advise on the selection of building sites and development projects.

The Educational Programme.

The Sub-Sahara region has always been in short supply of trained man-power. To help alleviate the very acute shortage of trained man-power, the Soviet-bloc nations have been very active in educational and vocational training programmes. Since 1959, these training programmes have had top priority in the bloc nations aid plans, ahead of all other measures of economic and technical assistance. The training programmes include two different kinds of instruction.

- (1) The schooling of officials for the trade unions, for journalists, women's and young people's

²³ Loc. cit., p. 2.

organizations and other mass-organizations.

- (ii) The training of a national elite of scientists, doctors, engineers and technicians.

The bloc nations have financed these training projects.²⁴

Military aid also has featured very significantly in the Sub-Sahara-Soviet bloc ties. For national security and defense purposes certain Sub-Sahara nations in spite of their non-alignment policies, have entered into military aid agreements with the more advanced nations. For example the previous French colonies have some kind of defense agreements with France, but Ghana, Guinea, Mali, Nigeria, Tanzania and Ethiopia among others, have diversified their defense contracts among communist-bloc and/or western nations. Presumably this would ensure the Sub-Sahara states a steady supply of arms in case of national emergencies. As part of the aid programmes, military personnel have been trained in the bloc nations, where most of the arms and ammunitions have been procured.

To summarize, it would be worthwhile to point out that the Soviet-bloc countries have initiated many activities in the field of education, industrial and technical aid in fulfillment of their promise to assist Sub-Sahara region to reconstruct their economy. Almost all Sub-Sahara nations have accepted aid from the bloc nations. However, they have not

²⁴ U.S. Department of State, ibid., p. 7: also Schatten, ibid., p. 177.

been prepared to accept ideological implications.

Observations.

Since 1959, with the resurgence of Sub-Sahara interest in the Soviet-bloc, there have been increased economic exchanges between these regions. As we have noted, numerous projects, including the building of social infrastructure, schools and hospitals as well as agricultural experimental farms have been undertaken. These projects have attained a small degree of success in the sense that Sub-Sahara area realized their objective of exchanging their raw materials for manufactured goods. However, these exchanges did not help reduce the balance of payments or improve the foreign exchange position. The Soviet-bloc nations on the other hand, have had partial successes.

The small degree of success achieved by the Soviet-bloc nations has been marred by failures and embarrassment. For example, Guinea which had been considered as the toe-hold of the communist nations in west Africa, expelled Soviet Ambassador Daniel Solod for alleged interference in Guinean internal affairs. The failure damaged the Soviet prestige in the other Sub-Sahara states, where the governments became wary of Soviet activities. Such diplomatic failures coupled with miscalculated and poorly planned economic projects have disrupted the new economic ties. The bloc nation's failure may be due to the fact that unlike the western nations they have had very little association with the Sub-Sahara area. The lack of adequate knowledge of the effects of tropical

weather on machines originally designed for use in temperate zones but have been shipped to the Sub-Sahara area, has worked to the disadvantage of the bloc nation. These tools and equipments failed to function efficiently and broke down under the duress of the weather and possibly because they were mishandled by unskilled operators. As these pieces of equipment were left on farms or construction sites, the bloc nations have been blamed for their inferior goods.²⁵ Although spare parts were often in short supply, the bloc nations made no attempt to construct subsidiary industries in the area to provide for the necessary accessories. On the other hand, the stringent bureaucratic measures and red tape characteristic of the centrally planned economies only delayed the needed machinery or spare parts. As a result, development projects had to be either suspended or abandoned for long periods until such authorizations would be granted for the shipment of such goods.²⁶ Such delays have caused the Sub-Sahara area to depend on the bloc nations for their needs. The increased Soviet-bloc investments in the area, have gradually tied the economies of the region to the economies of the bloc nations.

In a way the communist bloc economic activities in the Sub-Sahara area have not been quite different from those of the colonial exploiters.

²⁵ Lasky, Victor, The Ugly Russian, (New York: Trident Press 1965), p. 27.

²⁶ Morris Bornstein and Daniel R. Fusfeld, The Soviet Economy, A Book of Readings, (Homewood, Illinois: Richard D. Irving, Inc., 1962), pp. 295-297.

Supplementary note.

It has been indicated previously, that during the colonial period, foreign traders had trade monopoly in their overseas colonies. As a form of compensation or inducement, these traditional traders granted special trade and aid concessions or what was generally known as "preferential treatment" to their colonies. This kind of treatment, or bribe was a technique used for tying the trade with the mother country. In some cases tariffs were not imposed on agricultural goods from the colonies and the French subsidized the peanut industry in most previous French West African colonies.

In the post-independence years, preferential treatment was reduced to a minimum. Instead, trade was supplemented by economic aid. Countries from both east and west traded with and gave aid to the numerous nations within the Sub-Sahara region. The entry of these nations created a competitive trade and aid situation, in which each nation was using the most effective method to maintain economic ties with the area. The British, French, West Germany, Japan and the United States controlled larger portions of trade. This did not mean that the Sub-Sahara area were having any favourable trade. Trade deficits increased and debts expanded and as in the case of Ghana, its foreign reserves were depleted. In a vigorous search for a way of ending this unfavourable trade, the bloc nations were added to the roll of competitors.

But, in order to compete effectively the bloc nations granted various incentives to the Sub-Sahara countries. The bloc incentives generated from the nature of terms of trade. Whereas western traders demanded cash payments, the bloc nations agreed on commodity exchanges on bilateral terms. Technical, military, as well as financial aid were all components of the terms of trade. Unlike the west, the bloc nations were in a better situation to carry on these policies.

The competitiveness created a plethora of problems while posing as a dilemma to the area which was exposed to many markets supplying differentiated goods on various terms. It must be mentioned that the competition was not between the bloc nations and the west only. It was also among the bloc nations that did not have any regional economic policy in the Sub-Sahara area. Each nation pursued a policy favourable to national objectives and not much attention was given to what other nations were doing in any Sub-Sahara country. The same could be said about the nations of Sub-Sahara Africa.

But each Sub-Sahara nation tried to manipulate the confused situation and to take advantage of it. No particular nation counted on any bloc nation (even the traditional traders) as the final source of supply. These nations sought for the ideal commodity and the most favourable terms available. The bloc nations often made generous offers but were unable to meet all the agricultural and industrial goods and accessories needed in the area. Changes in tastes accounted

for the swing from country to country in quest of quality goods. Much of the payments of these goods were made from the proceeds of agricultural products, but the unstable prices of agricultural products enabled these foreign nations to exchange a few expensive finished goods for large quantities of agricultural products. Upon reaching a ceiling and fearing that commodity prices may fall, they resell the products, "dumping" on the world market. The raw material producing nations are forced to look elsewhere for markets for their goods. But the Sub-Sahara nations do not plan their foreign trade and the bloc nations who plan are not liable to fulfil their targets, consequently there are decreases and increases of trade in both regions.²⁷ These and many other reasons have contributed to the unsteady pattern of trade.

As mentioned previously, the entry of the bloc nations into trade and aid relations with the area, set up a spiral of competition among the traders. There were many suppliers and many buyers of differentiated goods. But no particular producer or purchaser could seriously influence trade in the area.

²⁷Robert Loring Allen, Soviet Economic Warfare (Washington 3 D.C., Public Affairs Press, 1960), pp. 164-166.

GRAPHIC DEMONSTRATION OF THE FLUCTUATING TRADE WITHIN THE REGION

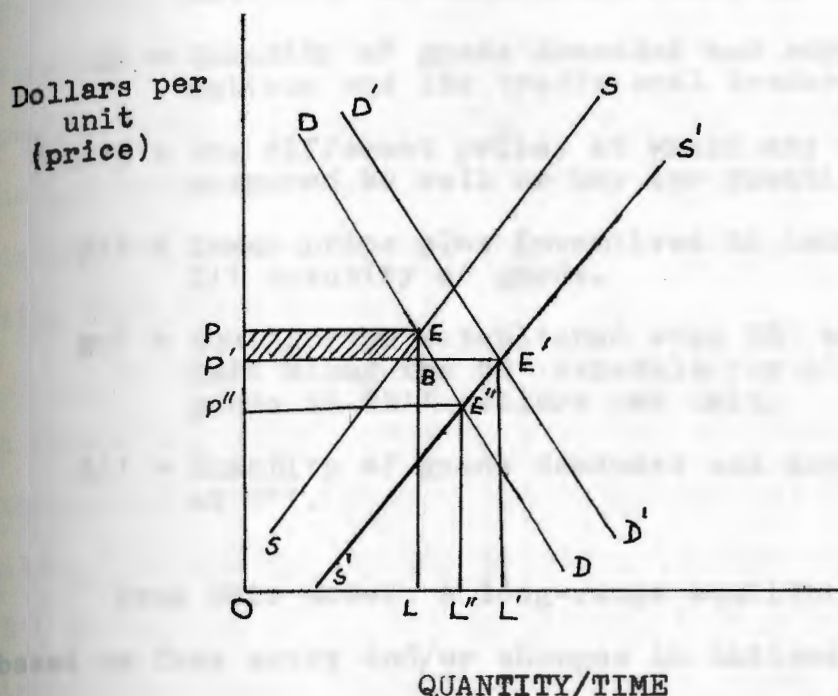


Figure 1. Illustrates the Sub-Saharan region's long-range adjustments under changing trade conditions.

D = Sub-Saharan Africa demand schedule for L quantity of goods from the traditional traders.

S = Supply schedule for the traditional traders.

E = Equilibrium point for the exchange between these areas.

P = Favourable trade terms or price at which each nation is prepared to sell or purchase goods.

L = Quantity of goods demanded and supplied by traditional traders.

D' = New demand schedule when faced with L' quantity of goods from the bloc nations.

S' = New supply schedule for the bloc nations.

E' = Equilibrium point for the new demand and supply schedules. (May be considered as unstable).

P' = Low price (favourable terms of trade made by the bloc nations but below which trade would not be continued because trade would be unfavourable.)

L' = Quantity of goods demanded and supplied by the bloc nations and the traditional traders at P' .

PEP'B = the different prices at which any nation would be prepared to sell or buy for quantity LL' .

P'' = Lower price plus incentives to induce trade for L'' quantity of goods.

E'' = Equilibrium established when DD' shifts to the left along the SS' schedule for L'' quantity of goods at OP'' dollars per unit.

L'' = Quantity of goods demanded and supplied by traders at P'' .

From this model, a long-range equilibrium position based on free entry and/or changes in national trade and aid policies was established. Each foreign nation continued to trade under the most favourable trade conditions. Thus when the new nations (specifically the bloc nations) entered into the area, there were shifts in the original supply and demand as well as equilibrium points.

Starting with DD and SS as the original market demand and supply curves, trade equilibrium was established at E for the price of OP dollars for OL . With the entry of the bloc nations, demand increased, thereby shifting Sub-Saharan $D'D'$ curve upward to the right for OL' quantity at OP' dollars per unit. Competition between the suppliers was intensified. As more goods were made available, the foreign traders original SS curve shifts downwards to $S'S'$ for OL' quantity at OP' dollars per unit. With a price differential $P-P'$ the Sub-Saharan nations could purchase LL' quantity. The area had a

choice determined by price and costs as well as non-economic factors. But at equilibrium point E' , both sellers and buyers reached the bottom and neither would be ready to offer or purchase any more goods at OP' for OL' . However, each foreign nation would be prepared to make concessions on non-economic incentives as for example good will missions just to keep ties with the region.

It must be mentioned that if the Sub-Sahara reached a saturation point, trade may either be terminated or that there would be a downward shift to the left of $D'D'$ curve along $S'S'$ curve, thereby creating another equilibrium at E'' for L'' at P'' . But no nation, having exhausted its incentive offers, would be prepared to offer any goods. Any future demand would cause S' to shift along D to E , the original equilibrium, thereby reestablishing trade. This kind of fluctuating trade would continue as long as the Sub-Sahara external trade remains a function of economic and political policies adopted by both the region and the foreign nations.

III

GHANA-SOVIET-BLOC ECONOMIC RELATIONS

As we have seen in Chapter II, the nations of Sub-Saharan Africa pursued, as independent states, trade and aid policies with both European and non-European nations. Though these policies have taken different forms, the objective of expanding trade, attracting investment and soliciting aid for economic development have been the same. For the communist-bloc nations, particularly, these developments have furnished both the opportunity for them to expand trade and extend aid and to cultivate the friendship of the nations of the Sub-Saharan regions.

At the time of independence, Ghana had no direct connections with any sovereign government except Britain; but soon after independence, the government adopted a policy of strict neutrality and then established economic relations with other governments whenever it was deemed advantageous. By 1959, efforts were being made to break loose from some of the western entanglements. In essence this meant a complete change in the colonial economy; the Ghana economic system needed overhauling to make transition and transformation possible. It was in the light of the need to diversify and to change her subsistence economy into a modern-market economy that Ghana sought trade and aid with the communist-bloc nations although traditionally she had only traded with the

western nations.¹

In the previous Chapter the nature of the trade and aid structure of the colonial period and the attendant economic and social problems syndromatic of the Sub-Sahara region were discussed in general form. Also, the innumerable efforts in the area of trade and aid which have been made in cooperation with other nations in the post-independence years to solve these problems were considered. The discussion that follows surveys specifically the post-independence Ghana-Soviet-bloc economic relations. The investigation is confined to Ghana's external trade and other economic exchanges such as aid and technical assistance given by the bloc nations during the 1959-1965 period.

Direction of external trade.

It is well known that Ghana, like other nations of the Sub-Sahara, traded with the United Kingdom, continental Europe, and with the United States. The sterling area, the European Economic Community and the dollar area, respectively were therefore the main Ghanaian trade partners. Though in 1959, this trade remained almost the same by 1960 the trade pattern for overall trade changed drastically.² The communist-bloc nations entered into trade agreements with Ghana. These negotiations marked the beginning of the competition

¹Walter Birmingham, I. Neustadt and E.N. Omaboe, The Economy of Ghana, Vol. 1. A Study of Contemporary Ghana. (Evanston, Illinois: Northwestern University Press, 1966), p. 31.

²Ghana Economic Survey, 1965, ibid., p. 37.

Ghana had a favourable trade with the European Economic Community in 1964, their imports to Ghana were 23.0 percent of Ghana's total imports while exports were 29.4 percent. However, in 1965 Ghana had a trade surplus with the European Economic Community -- imports from the area were 21.4 percent, and exports to the area were 27.8 percent of the total. But Ghana had a trade surplus with the dollar area in 1965; exports were 18.6 percent and imports were 10.5 percent of the total import/export bill.⁴

Ghana had an unfavourable trade balance with the United Kingdom. In 1964, Ghanaian imports were 27.4 percent and exports were 23.1 percent and in 1965 imports from the United Kingdom were 25.8 percent while exports to Ghana were 20.8 percent. The decline in exports to Ghana's traditional trading partners may be attributed to the fall in prices of Ghana's main primary product (cocoa) in the world market.⁵

As compared with the rest of Ghana's trading partners (from the west), the bloc nation's trade with Ghana was not large. Through barter arrangements Ghana traded cocoa for manufactured goods which she needed for immediate consumption and for long-range capital projects. At a time when Ghana's foreign exchange was dwindling away, the bloc nations provided the goods which could have been bought only with hard

⁴Loc. cit., p. 38.

⁵Ibid., p. 39.

TABLE IV
DIRECTION OF TRADE, 1961-1965^a
(VALUE IN 000's NØ..., PERCENTAGE)

Principal (Excluding Countries Albania)	1961				1962			
	Imports c.i.f.	Per cent	Exports f.o.b.	Per cent	Imports c.i.f.	Per cent	Exports f.o.b.	Per cent
Bulgaria	NØ 132	0.7	0	0	NØ 338	1.6	367	1.6
China	2,042	10.9	204	1.9	3,223	15.4	1,070	4.6
Czechoslovakia	3,643	19.5	173	1.6	3,425	16.4	1,495	6.4
German Democratic Republic	3,264	17.4	0	0	2,084	10.0	1,805	7.8
Hungary	734	3.9	0	0	1,289	6.2	1,795	7.7
Poland	2,930	15.7	1,243	11.7	4,109	19.7	3,377	14.5
Rumania	NA	--	NA	--	67	0.3	0	0
U.S.S.R.	5,285	28.2	7,249	68.3	4,390	21.0	10,428	44.9
Yugoslavia	691	3.7	1,754	16.5	1,963	9.4	2,911	12.5
Trade Total	NØ18,721	100.0	10,623	100.0	NØ20,088	100.0	23,248	100.0

^aYearbook of International Trade, United Nations, Department of Economics and Statistical Affairs, Statistics of the United Nations, U.N. Publication, (St./Stat/SER.G/16, 1965), p. 301.

^bExternal Trade Statistics of Ghana, Vol. xv, No. 12, Central Bureau of Statistics, Govt. Printing Dept., Accra, Ghana, 1965, p. xx.

TABLE IV (continued)

Principal Countries (Excluding Albania)	1965				1966			
	Imports c.i.f.	Per cent	Exports f.o.b.	Per cent	Imports c.i.f.	Per cent	Exports f.o.b.	Per cent
Bulgaria	NØ 4,584	4.5	1,707	2.9	NØ 7,346	3.3	4,246	2.7
China	12,593	12.5	4,873	8.4	22,006	10.0	8,989	5.7
Czechoslovakia	13,037	12.9	4,427	16.7	36,872	16.7	7,691	4.9
German Democratic Republic	7,379	7.3	2,586	4.5	19,956	9.0	11,468	7.2
Hungary	6,089	6.0	2,070	3.6	15,111	6.8	4,590	2.9
Poland	16,949	16.8	5,806	10.0	35,930	16.3	19,292	12.2
Rumania	3,488	3.5	899 ^b	1.6	4,104	1.9	899	0.5
U.S.S.R.	25,716	25.5	26,975 ^b	46.1	57,577	26.1	76,159	48.0
Yugoslavia	11,192	11.0	8,568	14.8	21,847	9.9	25,019	15.8
Trade Total	NØ101,027	100.0	57,911	100.0	NØ220,749	100.0	158,355	100.0

cash on the western market. The economic exchange resulting from establishment of economic relations between Ghana and the bloc nations was an option not elsewhere available.

Trade between Ghana and the respective bloc nations has at times been favourable and at other times unfavourable. An analysis of Ghana's trade with bloc nations in the period we have surveyed shows increases or decreases in exports to, and imports from each of these nations. Variations have likewise been quite common in the volume of particular commodities both imported or exported. An analysis of the trade showed that during the entire 1959-1965 period, Ghana experienced considerable trade fluctuations similar to those experienced by the other Sub-Sahara nations. With the exception of Rumania and Albania, the proportion of trade with the Soviet Union, Poland, Bulgaria, Yugoslavia, Hungary, East Germany and Czechoslovakia has shown constant increases. (6,7)

By the end of 1961-1965 period Ghana's trade turnover totaled to approximately £380 thousands. Table IV shows that Ghana's imports for the same period was £220,749 thousands. By the end of 1965 Ghana's total import value of £101,027 thousand was more than double the 1964 import level. (8,9)

⁶Yearbook of International Trade. United Nations, Department of Economics and Statistical Affairs, Statistics of the United Nations, United Nations Publication, (St./Stat/SER.G/16,1965), p. 301.

⁷External Trade Statistics of Ghana, Vol. XV., No. 12, 1965. Central Bureau of Statistics, P.O. Box 1098, Accra, Ghana, pp. XVI-XXI.

⁸Loc. cit., p. 301.

⁹Loc. cit., pp. xvi-xxi.

The 1965 total reached the highest peak since Ghana-communist economic relations were inaugurated.

On the export side, Ghana's total for the 1961-1965 period was £158,355 thousand. From 1961 the level of £10,623 Ghanaian exports to the bloc nations reached a peak of £57,911 thousands in 1965. On the whole Ghana increased her volume and value of trade with the entire bloc nations. Unfortunately, Ghana has had trade deficits with all the bloc nations with the exception of Yugoslavia and the Soviet Union, for example, by 1963, Russia had an accumulated trade deficit with Ghana of over \$700 million.¹⁰

It is worth noting that the decreases in exports to the bloc nations was attributable to the fact that Ghana could not supply the bloc nations with any new commodities besides the regular crops. As a result, Ghana's balance of payments deficit with the rest of the bloc nations increased.

Commodity composition.

As Table V on page 41 shows, the trade between Ghana and the bloc nations was composed of imports and exports common to the various geographic regions. The products traded were typical of a less developed country, Ghana, trading with developed nations.

The following is a summary of the pattern of imports and exports involved in that trade based on materials in

¹⁰ Marshall I. Goldman, Soviet Foreign Aid (New York: Frederick A. Praeger, Publishers, 1967), p. 175.

TABLE V
GHANA'S TRADE WITH COMMUNIST BLOC NATIONS^a
BY MAIN COMMODITY CATEGORIES, 1965
(VALUE IN 000's NØ..., PERCENTAGE)

Commodity	Imports	Percent	Exports	Percent
Total	NØ.100,990	100.00%	NØ.57,917	100.00%(approx.)
Food and live animals	4,671	4.6	55,388	95.63
Beverages and tobacco	375	0.4	0	0
Crude materials, inedible except mineral fuels	110	0.1	1,744	3.0
Mineral fuels, lubricants and related materials	6,808	6.7	123	0.2
Animal and vegetable oils and fats	32	0.3	0	0
Chemicals	3,406	3.3	0	0
Manufactured goods classified chiefly by material	47,156	46.6	1	.001
Machinery and transport equipment	24,552	24.3	2	.003
Miscellaneous manufactured articles	10,951	10.8	.0048	0.00
Commodities and Transactions not classified according to kind	2.929	2.9	659	1.1

^aIncluding Albania.

SOURCE: External Trade Statistics of Ghana, Vol. XV., No. 12, 1965, Central Bureau of Statistics, Accra, Ghana, pp. xvi-xxi.

Table III. As can be readily observed, imports into Ghana from the bloc nations have consisted of capital goods; notably agricultural machinery, steel products, construction supplies and industrial equipment. Imports of mineral fuels, lubricants and related materials for use in transportation and generation of electrical power have been on the increase. Imports of food and live animals, manufactured goods classified chiefly by material, machinery, transport equipments and other miscellaneous manufactured articles and chemicals increased in overall importance and value. Animal and vegetable oils and fuels and crude materials have not shown increases, probably because such items were available locally. Beverages and tobacco accounted for a considerable portion of imports; exports, however, were nil.

As to the structure of exports to the bloc nations, an analysis showed that the first place was occupied by food and live animals followed by raw materials and fuels. Exports of other items have been very small and in most cases nonexistent. From this data it would appear that Ghana does not export any manufactured goods to the bloc nations. The data also suggest that relations with the bloc countries incorporating barter agreements have made available manufactured articles and other items which could not have been obtained elsewhere given Ghana's meager foreign exchange.

Since 1959 Ghana has traded with almost all the communist countries. In all, Russia and Yugoslavia have experienced growing trade while others have experienced sharp

fall-off of Ghana exports. In 1965, Ghana's imports were concentrated on China, Czechoslovakia, Poland, Soviet Union and Yugoslavia, and in the same period Ghana shipped a large portion of its exports to these nations. On the other hand Ghana's trade with Albania was non-existent in the period surveyed and only very limited trade was conducted with Rumania, (exports to Rumania for the 1961-1965 period totaled \$2899).¹¹ In order of importance the Soviet Union was the largest trader with Ghana followed by Yugoslavia.

Ghana has had an export surplus with the Soviet Union and Yugoslavia since 1961. By 1963 Russia had accumulated a trade deficit of \$700 million indicating that Ghana sold large quantities of its main crop (cocoa) to the USSR but as put by one observer, was unable to find "useful and suitable goods to purchase from the Soviet Union."¹² With the other nations however, Ghana's deficits have been extremely large. While the proportion of Ghanaian exports to the bloc nations as a percentage of total exports has increased, in the same period Ghana's imports have doubled.

In sum, a survey of the trade between Ghana and the communist bloc nations for 1959-1965 period reveals that Russia and Yugoslavia and to a lesser extent China, have contributed to the bulk of bloc-Ghanaian trade. Though a marked increase was experienced in this trade with communist

¹¹ United Nations Yearbook of International Trade Statistics, 1965, ibid., p. 301.

¹² Goldman, ibid., p. 175.

nations, the commodity composition did not reveal significant changes over time. The only unrecorded items which have undoubtedly entered into Ghanaian-bloc exchange are arms and munitions. It may be reasonably concluded that Ghana's trade with the bloc nations has been fostered because of the enlarged variety of commodities made available from the different bloc nations. Thus, both increases in the volume of trade, and changes in the directional flow of goods are the visible evidences of Ghana's new trade policies initiated after independence.

Credits and technical aid.

As part of Ghana's overall external economic policy, she has not only fostered new options in trade but also foreign private investments as well as expanded credit and technical aid from foreign government agencies. In response the communist-bloc nations in particular have offered attractive long and short-term credits to enable Ghana to finance her economic development projects.

The most significant development of the credit or financial aid practices of the bloc nations has been their very liberal aid terms. These terms stipulated interest rates of $2\frac{1}{2}$ percent to 3 percent and repayments ranging from a duration of three to twelve years that may be made in Ghanaian goods.¹³ The long-range aggregate total credits

¹³U.S. Department of State, Director of Intelligence and Research, ibid., p. 3.

extended to Ghana from the communist countries was \$231 million. Of this, the Soviet Union contributed \$89 million; China's contribution amounted to \$40 million and the rest of the bloc nations extended a total of \$102 million. By 1965 the flow of credits had been reduced. The total fell off to \$20 million from the communist nations, excluding the Soviet Union and China whose contributions have been nil.¹⁴ The drop in credits probably was a retaliation to Ghana's decision to sell its cocoa for hard cash.

In addition to credits at these low interest rates, the bloc nations have catered Ghana's need for technical experts. Each bloc nation has provided technicians for the planning, construction and actual field work on any particular project started. Bloc personnel has worked side by side with Ghanaian counterparts and have trained the latter with the view to preparing them to take over the tools and equipment.

Contrastingly, for one reason or another, Ghana's relations with the western nations were deteriorating rapidly and despite the fact that the volume of trade and private investments was reduced, Ghana received some form of economic aid from the western nations.

The United States, in particular, continued to give economic aid to Ghana. The aid was channeled towards generating agricultural production and improving education. The

¹⁴U.S. Department of State, ibid., p. 2.

sum of \$82.0 million in loans was extended to Ghana, and between 1960 and 1965 the United States sent \$6.1 million worth of food for peace to Ghana.¹⁵ However, the most significant project, the Volta River Dam, was undertaken by two private U.S. companies, the Kaiser Aluminum Company and the Reynolds Aluminum Company though technical assistance was also featured significantly in U.S. aid. Similar aid efforts have been made by the United Kingdom, West Germany, Japan and a number of other western nations.

Nonetheless, the flow of western aid to Ghana in the period we have reviewed continued to decrease, a decrease which can be ascribed to Ghana's decision to institute "Socialism" and an impression created in a number of western capitals that Ghana was becoming a Soviet satellite in West Africa. Thus, Ghana's avowed adoption of "Socialism" affected Ghana's economic ties with the west adversely. The Times of London wrote in effect that, the United States, Britain, Japan and a number of west European governments have turned down requests of the Ghana government for hundreds of millions of dollars in emergency loans to alleviate a desperate balance of payments situation facing the nation.¹⁶ Ghana in her eighth year as a nation, was already facing the most serious economic crisis. The unique and critical element in Ghana's economic chaos, was attributed mainly to the breakneck speed

¹⁵ U.S. Department of Commerce, (Bureau of International Commerce), Overseas Business Report 66-36, June 1966, p. 1.

¹⁶ Times. London. April 14, 1965.

at which the programmes for industrialization and agricultural development were pursued.¹⁷

The discussion which follows, pertains to the overall economic aid projects initiated by the Ghanaian government in cooperation with the respective bloc nations. It will be followed by the various devices used in negotiating these aid agreements.

Russian aid projects.

During the latter part of 1957, a two man delegation from the Soviet Embassy in London visited Ghana. The primary purposes of Mr. Dmitri F. Safanov, the first Secretary to the Soviet Embassy and Mr. V.J. Smirnov, deputy trade representative, were the opening of a diplomatic mission and the establishment of trade relations with Ghana.¹⁸

Soon after the visit, Ghana and the Soviet Union signed a technical aid agreement under which agreement eight civil engineers from the Soviet Union would conduct a preliminary survey into the planning of residential areas in Accra and Tema. To help reduce the shortage of housing, the design was intended to provide housing to accommodate 25,000 people in Accra and 12,000 in the new harbour town of Tema. Under a similar agreement, thirteen Russian fisheries experts were expected to establish a string of fishery

¹⁷ Observer Foreign News Service, April 21, 1965, p. 12.

¹⁸ New York Times, November 20, 1957, p. 1:2.

industries in Ghana.¹⁹

As part of the overall trade and aid promotion being undertaken by the Ghana government, the Minister of Works and Housing, Mr. E.K. Bensah and the Minister of Foreign Affairs, Mr. Ako-Adjei and Miss Regina Assammany, a woman parliamentarian, toured the Soviet Union, Czechoslovakia, Yugoslavia, Hungary and Poland to recruit technicians for the Ghana Civil Service.²⁰

In the summer of 1961, the then President of Ghana, paid a state visit to all the communist-bloc countries. Mr. Kwame Nkrumah in the company of a number of his ministers and high ranking party members, negotiated and signed agreements with the bloc nations for trade and aid purposes.²¹

In January of 1962, Anastas I. Mikoyan, the Soviet Deputy Premier, conferred with the then President and six cabinet ministers.²²

Ghana and the Soviet Union ratified a 42,000,000 long-term trade and payments agreement and also an agreement for the expansion of economic and technical cooperation in fulfilment of the summer, 1961, trade and aid agreements.²³

Although industrialization seemed to be the main

¹⁹ Ibid., June 13, 1961, 2:7.

²⁰ Ibid., July 17, 1961, p. 3:1.

²¹ Ibid., July 10, 1961; August 1, 1961, 21:4; August 4, 1961; 3:4.

²² Ibid., January 12, 1962, p. 6:3.

²³ Ibid., February 2, 1962, p. 9:1.

preoccupation of the government of Ghana, the government gave agriculture equal attention. To avoid the dependence on one crop, efforts were made to introduce new crops and new methods in farming. The Soviet Union agreed with Ghana to cooperate in experiments in large scale cotton growing and in the establishment of state farms. These farms were designed to operate as settlements with hospitals, community centers and schools which would be managed by Ghanaians trained in the Soviet Union.²⁴ By 1963, the number of state-owned and operated farms had increased to 105. Most of these concentrated on general farming, but some were used to experiment with possible new crops.²⁵

Ghana expanded her air transport services when it negotiated agreements for a new Ghana Airways route from Accra to other points. In 1961, Ghana purchased 8 Ilyushin 18 propjets from the Soviet Union. The purchases proved uneconomic and 4 of the airplanes were eventually returned. The rapid progress in air transport in Ghana made it feasible for the remaining Ilyushin 18 propjets to be maintained at the Accra base, but at the time of purchase all 8 planes had to be flown to Russia for maintenance. Ghana Airways had a total of 1,282 employees including 119 expatriates, 26 of whom were Russians.²⁶ As of late 1964 there were only 27 Ghanaian pilots but more staff members were being trained by

²⁴Africa Report, July, 1962, p. 11.

²⁵New York Times, January 20, 1964, p. 61:1.

²⁶Africa Report, February 1965, p. 23.

Alitalia Air Lines, Britain and Russia. A total of 15 Soviet trained pilots returned to join the staff. Four pilots, after three years of training in the Soviet Union, returned to operate the airlines Ilyushin aircraft.²⁷

For continued trade and economic relations, Mr. J.B. Elliott, Ghana's Ambassador in Moscow and Mr. Y.A. Malik, the Soviet Deputy Minister, exchanged instruments of ratification on the protocol signed on March 4, 1963, on economic and technical cooperation.²⁸ To alleviate shortage of well-trained manpower, Ghanaian students registered in Russian Universities to do courses in medicine, engineering, agriculture, refrigeration, radio, electronics and electrical engineering. The training would qualify them to man the State Fishing Corporation's trawlers and purse-seiners. The training ranged from four to seven years under the Ghana-Soviet Technical Assistance Program.²⁹ The State Fishing Corporation expanded its fishing fleet in 1965 by purchasing 12 trawlers composing 8 from Russia and 4 from Norway.³⁰

A protocol was signed for cooperation between Kwame Nkrumah University of Science and Technology and Kiev University. The agreement emphasized exchanges of film and radio programmes and the exchange of education specialists.³¹

²⁷Ibid., December 1965, p. 23.

²⁸Ghana Today, Vol. 7, No. 18, November 6, 1963, p. 2.

²⁹Loc. cit., p. 2.

³⁰Economic Survey, 1965, ibid., p. 63.

³¹Africa Report, February, 1965, p. 44.

Under a similar program, twenty-five teachers were teaching science and mathematics in secondary schools.³² To help eradicate diseases, Ghana and the Soviet Union signed an accord which required of the Soviet Union to build and equip a 200 bed hospital at Half-Assini at the cost of about \$1,680,000. A nurses training school, hostel accommodations for 60 students and out-patient facilities for 200 patients daily would be attached to the hospital.³³ As a friendly gesture, the Soviet Ambassador to Ghana, Mr. G.M. Rodinov, presented to the government of Ghana 50,000 doses of vaccine against typhoid, para-typhoid and tetanus.³⁴

Soviet projects in Ghana have included industrial establishments. Russia contracted for the construction of complex fishing industries in the vicinity of Tema Harbor.³⁵ Also the Soviet Union agreed to assist in the construction of a prefabricated concrete panel factory in Accra. It was one of the many joint projects between the government of Ghana and the Soviet Union to solve housing problems in the country.³⁶ The Ministry of Industries announced the construction of a \$515,200 gold refinery at Tarkwa. Provisions of the agreement were that the Ghana government would construct the refinery structure and the Soviet Union would

³²Ibid., November, 1965, p. 38.

³³Ibid., January, 1964, p. 23.

³⁴Ibid., February, 1965, p. 44.

³⁵Ghana Today, Volume 7, No. 18, November 6, 1963, p. 7.

³⁶Ibid., Volume 7, No. 17, October 23, 1963, p. 2.

provide machinery and the necessary technical and advisory personnel.³⁷ On November 21, 1964, the President laid the foundation for the construction of \$840,000 gold refinery with the assistance of the Soviet Union.³⁸

On behalf of the government, the Finance Minister, Kwasi Amoako Atta, signed an agreement with the object of increasing Soviet-Ghana trade by 20 percent.³⁹

For defence purposes, the Minister of Information, Tawia Adamafio, announced that 400 cadets would be sent to the Soviet Union for training.⁴⁰ The Soviet Union offered as a gift, Ghana's first atomic reactor at Kwabenya.⁴¹

Czechoslovakia.

Ghana concluded trade and aid agreements with Czechoslovakia for the purpose of purchasing the necessary manufactured goods for consumption and industrial development. In return Ghana sold agricultural products. Following the exchange of trade missions to Czechoslovakia, Ghana placed an order of about \$2,800,000 worth of tractors from Czechoslovakia⁴² and in December 1965, the first tractor was assembled at the Motokov Tractor Assembly at Nsawam.⁴³ To

³⁷Africa Report, October, 1964, p. 23.

³⁸Ibid., January, 1965, p. 26.

³⁹Ibid., February, 1965, p. 34.

⁴⁰New York Times, October 1961, p. 13:1.

⁴¹Africa Report, July, 1962, p. 26.

⁴²Ibid., November, 1962, p. 14.

⁴³Ibid., December, 1965, p. 23.

enhance manufacturing, Ghana and Czechoslovakia jointly established a sugar factory at Komenda. The total cost was estimated at about \$12,000,000 and was expected to produce 10,000 tons of refined granulated sugar each year.⁴⁴ The Fuel and Power Secretariat of Ghana with technical assistance from Czechoslovakia, started the construction of small power projects on the Tano and Pra Rivers in the south of Ghana.⁴⁵ The Czechoslovakia news agency "Ceteka" announced the expansion of Czechoslovakian medical aid to Africa in 1963. There was a total of 151 Czechoslovakian medical personnel (107 doctors and 44 health workers) in 12 African and Asian countries, including 88 in Tunisia, 29 in Guinea and 11 in Ghana.⁴⁶

Rumania.

Rumania's diplomatic and economic relations were established with Ghana in 1961 and since that time, exchange of trade missions have taken place between both nations.⁴⁷ Geologists from Rumania conducted comprehensive surveys of oil deposits in Keta, Koforidua, Bonyere and a mineral spot in the northern region.⁴⁸ Following the survey, the Ministry of Fuel and Power announced that the government had ordered

⁴⁴Ibid., March, 1965, p. 36.

⁴⁵Ghana Today, Vol. 7, No. 18, November 6, 1963, p. 3.

⁴⁶Africa Report, March 1963, p. 26.

⁴⁷New York Times, August 12, 1961, p. 29:5.

⁴⁸Africa Report, July, 1964, p. 26.

two drilling rigs costing \$2,100,000 to search for oil in Keta area.⁴⁹ Oil drilling experts started operations on the project⁵⁰ and found oil of "reasonable quantity."

China.

Mainland China extended aid to Ghana through instruments signed in Pekin in 1962 by the President of Ghana in the August of 1961.⁵¹ China granted Ghana an interest free loan of G 7,000,000 (\$19,450,000) payable within a period of 10 years. The loan agreement stipulated that payments could be made with export goods from Ghana or with currency of a third country agreed to by the Chinese. Included in the agreement was a provision that the Chinese government would supply technical assistance in the form of experts, equipment, and material.⁵²

China agreed to set up a \$20,000,000 cotton spinning and weaving factory and enamel and pottery factory in Ghana. It also agreed to provide the necessary technical assistance and a number of Ghanaians would be trained in China.⁵³ A team of two Chinese agriculture experts arrived in Ghana with the object of surveying and establishing rice and cotton

⁴⁹Ibid., August, 1965, p. 27.

⁵⁰Ibid., November, 1965, p. 38.

⁵¹New York Times, March 29, 1962, p. 6:4.

⁵²Ibid., August 22, p. 13:1.

⁵³Africa Report, December, 1962, p. 21.

farms.⁵⁴

Yugoslavia.

As have many other bloc nations, Yugoslavia has offered technical and financial assistance to Ghana. According to provisions of an agreement signed in Accra, Ghana would build four slaughterhouses and a pineapple juice factory, and construct a naval base with technical and financial assistance from Yugoslavia. A new station to service about 6,000 agricultural tractors built by a Yugoslav Company, Messrs. OMNICO Limited, was opened at Tema. It was the first of a series of tractor stations to be built in various regional centres in Ghana to service 60 Yugoslav tractors in use on State farms.⁵⁵

A purchase of 12 fishing vessels costing \$1,401,456 was made by the government of Ghana from Yugoslav firm Brodoimpex.⁵⁶

East Germany.

Following the move taken by other bloc nations in assisting Ghana, Paul Scholz, the Deputy Prime minister of East Germany (German Democratic Republic) negotiated credit and shipping agreements with Ghana.⁵⁷ East Germany concluded technical and economic agreements under which the German Democratic Republic would extend a credit of \$20,000,000 to

⁵⁴Ibid., October 1965, p. 46.

⁵⁵Ghana Today, Vol. 7. No. 6, May 22, 1963, p. 2.

⁵⁶Africa Report, May, 1965, p. 33.

⁵⁷Ibid., November, 1964, p. 33.

establish a pulp and paper making mill and a timber processing complex.⁵⁸ Under a similar agreement, eight East German teachers took appointments in secondary schools in Ghana.

Poland.

Polish economic aid to Ghana has followed the pattern adopted by Russia, China, Yugoslavia and other bloc nations. The purpose of the projects have been directed towards agricultural and industrial development. To attain the objective, Polish technicians started industrial projects in Ghana. Ryszard Dodrowolsi, head of the Polish technical team announced that the projects included a shipping yard, a steel plant, iron ore mining and sugarcane and candy industries.⁵⁹ The Ghanaian Fishing and Supply cooperatives signed a commercial agreement with Polish Agriculture Cooperatives. According to the agreement, "CEKOP", the Polish Central Trading Organization for Foreign Trade would extend a \$4,620,000 credits for the construction of a cane sugar plant and molasses distillery at Asuchuere in the Volta Region. The refinery is expected to produce 24,000 tons of granulated and cube sugar a year. The signing of the agreement brought the number of industrial projects undertaken in cooperation with "CEKOP" to eleven and a total of \$8,820,000 of credit.⁶⁰

⁵⁸ Ibid., October, 1965, p. 46.

⁵⁹ New York Times, September 10, 1961, p. 108:3.

⁶⁰ Africa Report, March, 1962, p. 14.

Summary.

For the 1959-1965 period, Ghana has welcomed trade and technical experts with the bloc nations with aim of promoting trade and aid. The communist-bloc nations have increased their aid and trade with Ghana and almost every bloc nation has invested in Ghana. But the bloc nations have not enjoyed complete monopoly over trade and aid in Ghana despite the numerous light industrial establishments and increased trade. Both western governments and private companies have undertaken technical and industrial projects as part of the overall effort to assist Ghana's economic growth and development. By trading with and accepting aid from either east or west, it was hoped that Ghana could purchase such consumer and industrial goods which otherwise would be restricted to it because of its obligations and alliance with a special ideological group.

I. DEVICES USED IN UNDERWRITING TRADE AND AID AGREEMENTS

To facilitate trade and aid agreements, Ghana established official channels through which economic and political affairs could be negotiated. Ever since, there have been exchanges of goods and technical personnel between Ghana and the bloc nations, to consider and execute matters of mutual interest.

The government of Ghana and the respective communist-bloc nations have signed various trade and aid agreements in Accra and other bloc capitals. These negotiations pertain to reciprocal trade and technical aid arrangements negotiated

during the 1959-65 period. The agreements stated the necessary conditions for aid and terms of trade; and demonstrated the importance of continued Ghanaian communist-bloc economic relations.

Since the inception of the relations, Ghana has sent trade missions to bloc nations with the sole object of knowing what goods are available to them and to acquaint themselves with new methods in industry and agriculture. The most important missions undertaken in behalf of Ghana trade and aid, took place in 1961. In the summer of that year, an official delegation headed by the President of Ghana, Mr. Kwame Nkrumah, toured all the bloc nations. The President succeeded in signing numerous trade and aid agreements covering most of the economic projects discussed in the preceding paragraphs.

These trade and aid arrangements were in many respects similar to those concluded between the bloc nations and the rest of the Sub-Sahara nations in the sense that all the negotiations were in the form of protocols. Although each document might have its unique feature, all the agreements still had common characteristics such as stipulations on the expiration period or the rate of interest in the case of loans. So far my research has not revealed any prohibitive conditions on the resale of Ghanaian products.

Another feature was that the trade agreements were concluded for one to five year periods and provided gradual increases in goods turnover.⁶¹ Such increases in the

⁶¹Arnold, op. cit., p. 137.

reciprocal trade was mainly agricultural products, (cocoa products, tropical fruits, timber, etc.), while the bloc nations supplied machinery and equipment, fertilizers and other commodities needed for consumption and economic development. Short-term and long-term interest free credits extended by Red China and Russia at 2.5 percent interest on credit are some of the main aspects of agreements concluded by the bloc nations and Ghana.

Ghana has relied upon the trade and aid agreements as mechanisms for promoting and improving its trade and aid prospects. However, the conditions for trade and aid have not always been observed by the trading partner; a case in view is Soviet Union which re-exported Ghana cocoa. The then President of Ghana announced in the Ghana Parliament that the government has decided to stop selling cocoa on "barter" and only to sell for "hard cash." Such policy would ensure the availability of liquid funds to finance Ghana's development.⁶² Ghana did not end the barter agreements with the bloc nations although it was true that Ghana was not always receiving the full value of goods in return for the cocoa shipped to the bloc communities, or that it received unsuitable goods.

To summarize, for the 1959-65 period, Ghana extended her economic activities to trade and aid agreements with the bloc nations. Among others, these arrangements covered the

⁶²

The Financial Times, July 22, 1965.

area of education and agriculture as well as technical aid. The primary purpose of these ties was to advance Ghana's economic interests and to encourage better relations with trading partners that could enlarge Ghana's trade and offer aid on the most favourable terms. Thus the establishment of economic ties with the bloc countries was a partial fulfilment of Ghana's objective to accept trade and accept aid from other nations without subordinating Ghana's national interest to any nation.

IV

EVALUATION OF THE TRADE AND AID RELATIONSHIPS OF GHANA AND THE SOVIET-BLOC NATIONS

For Ghana, trade and aid with the bloc nations has been an important economic tool both for the realization of her national goals and the enhancement of mutual economic and technical relations with other nations. The purpose here will be to evaluate the significance of these Ghana-communist-bloc economic relations in terms of their impact on economic growth in Ghana, and possible future course of Ghanaian-Soviet-bloc relations.

Since the inception of Ghana-Soviet-bloc economic relations, many important changes in the trade and aid mechanisms in Ghana have taken place. A fair evaluation of the significance of the Ghana-communist-bloc relations only calls for a close examination of the changes which are the results of these relations.

Changes in trade policies -- general observations.

Prior to the initiation of trade and aid relations with the bloc nations, foreign trade was conducted between individual Ghanaian merchants and their foreign counterparts in the west. This interaction was based on the "laissez-faire" concept. Trade was exclusively carried on by individual citizens with very little government intervention. The role played by the government of Ghana was confined to regulation of trade to ensure fair trade practices. But when

Ghana extended trade with the bloc nations soon after independence, drastic changes were made in the trade policies. The old commercial and trade policies were not replaced, but a new policy, stressing the need for maximum government intervention and serious participation in both domestic and foreign trade was introduced. In addition to active participation in trade the government of Ghana established state-owned and operated enterprises as well as state farms.

The state enterprises were charged with the responsibility for the sale and purchases of imported goods from the communist-bloc nations. The state enterprises were further authorized to compete with other foreign and local traders for profits.¹

The creation of autonomous state enterprises and corporations was the direct result of Ghana's effort to provide new trade arrangements in order to be able to carry on economic exchanges with the bloc nations. It must be borne in mind, that the Ghana-Soviet-bloc economic relations were principally government to government concerns, hence private businessmen were not forced to participate in these dealings. The new trade techniques brought in other new factors.

Along with the government to government trade and aid, came the means for negotiating trade and aid agreements. To facilitate this, a new technique based on bilateral trade

¹Kwame Nkrumah, Blueprint of Our Goal. Seven Year Plan, GP/A1065/12000/3/63-64 (Accra, Ghana: Published by the Ministry of Information and Broadcasting, 1964), p. 4.

and aid agreements negotiated through protocol agreements was introduced. These exchange agreements were in sharp contrast to the previous import-export payments agreements which were characteristic of multilateral agreement techniques adopted by private entrepreneurs. Under the multilateral agreements, payments for export and imports were made in cash, contrary to bilateral agreements under which commodity exchanges were required.

To insure complete centralization and control over imports and exports, the government of Ghana introduced import controls. Another objective for instituting import controls was to reduce unnecessary import goods (i.e. luxury items) so as to cut down on foreign trade deficits. Such a measure had its side effects. Besides violating the principles of the General Agreements on Tariff and Trade, the import control measures resulted in shortages in industrial and consumption goods followed by inflation. (The effect of these are dealt with elsewhere in the Chapter.)

In spite of the results of the import control measures, government trading agencies centrally directed imports and exports in accordance with Ghana governments external trade and aid policies as specified in the national plan.

We could observe that the establishment of economic relations with the bloc nations has necessitated the adoption of new trade and aid policies. While the old trade policies remained, the new ones encouraged government participation

in trade at the expense of private industrial initiative. State enterprises and corporations exercised monopoly over trade with the bloc nations while industrial activities on behalf of private businessmen were reduced to a minimum.

Technical and educational-cultural relations.

Since the initiation of economic ties with the bloc nations, great emphasis has been put on human-investment. To achieve this goal, the bloc nations have left no stone unturned in training Ghanaians in various bloc institutions. Thus in industry and agriculture, Ghanaians are able to fill in with qualified and skilled personnel in high administrative positions hitherto occupied by foreigners.² Ghana has taken full advantage of the bloc experts either as advisors on industrial planning or as researchers in agriculture or any other field. Cultural exchanges have been intensified to promote mutual understanding and cooperation.³

Ghana-Soviet-bloc trade evaluated.

Over the 1959-1965 period, Ghana pursued a policy which stimulated trade with the bloc nations. The result was an overall expansion of her share of the world market and an increase in her trade with the communist-bloc nations. About 23.8 percent of Ghana's total trade was devoted to trade with bloc nations in 1965 as compared with 11.8 percent in 1964.

²Economic Survey, 1965, ibid., p. 104.

³Fred Tickner, Technical Cooperation, (New York: Frederick A. Praeger, Publishers, 1966), pp. 104-105.

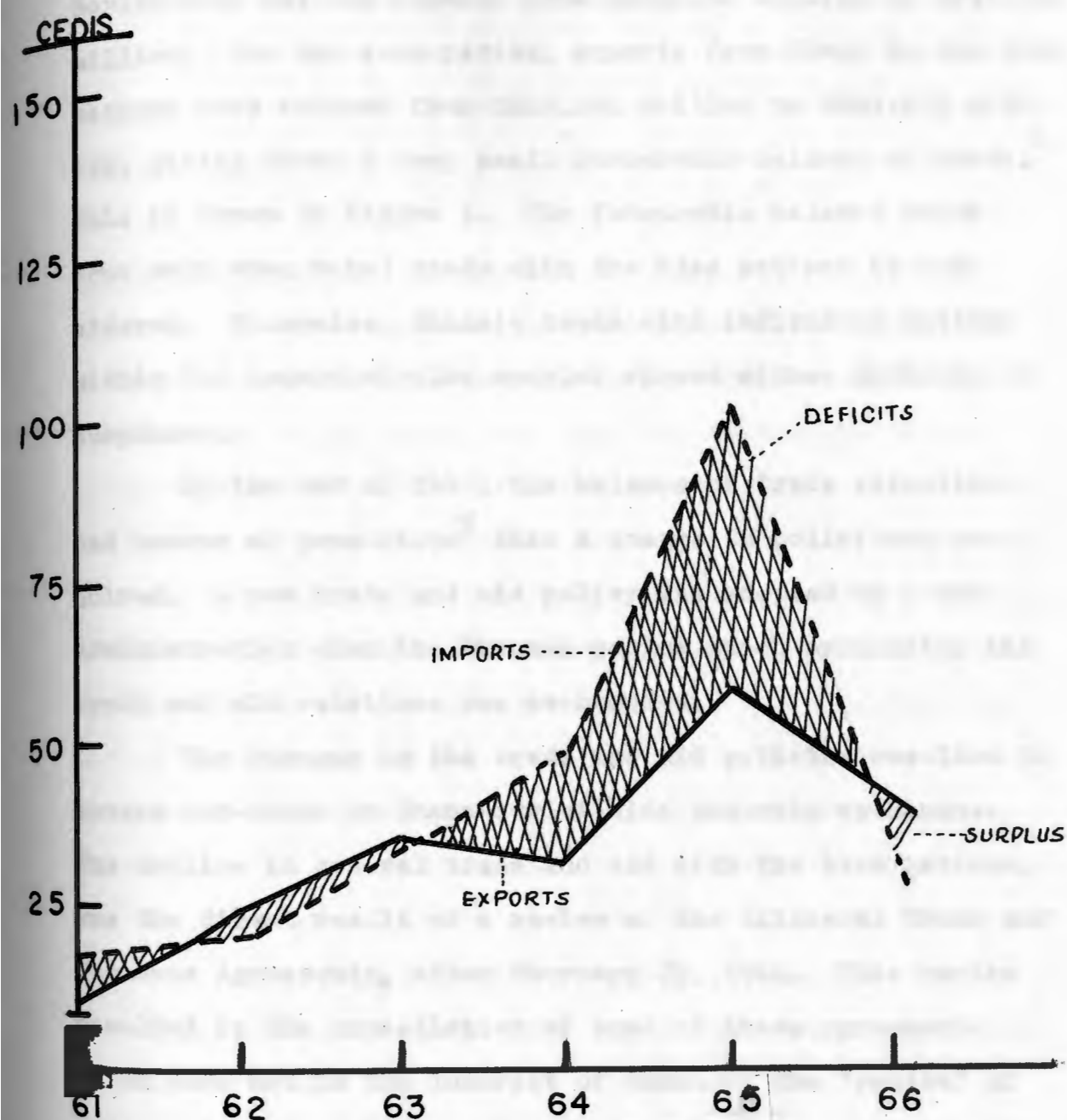


FIGURE 2

GHANA'S EXTERNAL TRADE AND BALANCE OF
PAYMENTS WITH THE BLOC NATIONS
(VALUE IN 000's ₤)

(BASED ON DATA FROM THE ECONOMIC SURVEY
1965-1966)

Between 1965 and 1966, Ghanaian imports from the Soviet-bloc nations slacked from NØ84.158 million to NØ38.106 million. For the same period, exports from Ghana to the bloc nations were reduced from NØ48.264 million to NØ40.233 million, giving Ghana a very small favourable balance of trade.⁴ This is shown on Figure 1. The favourable balance holds true only when total trade with the bloc nations is considered. Otherwise, Ghana's trade with individual nations within the communist-bloc complex showed either deficits or surpluses.

By the end of 1965, the balance of trade situation had become so precarious⁵ that a change in policy was required. A new trade and aid policy was adopted by a new administration when the Nkrumah regime which originated the trade and aid relations was overthrown.

The changes in the trade and aid policies resulted in severe set-backs in Ghana-Soviet-bloc economic exchanges. The decline in general trade and aid with the bloc nations, was the direct result of a review of the Bilateral Trade and Payments Agreements, after February 24, 1966. This review resulted in the cancellation of some of these agreements which were not in the interest of Ghana.⁶ The "review" of bilateral trade and payments affected Ghana's cocoa exports and thereby Ghana's source of income. The Ghana Economic

⁴Economic Survey, 1966, ibid., p. 36.

⁵Economic Survey, 1965, ibid., p. 38.

⁶Economic Survey, 1966, ibid., pp. 34-35.

Survey commented,

Total exports of cocoa beans to the U.S.S.R. and the eastern countries dropped by 13.1 percent in volume. The value totaled NØ37.7 million in 1966 compared with NØ45.4 in the previous year showing a fall of 17.0 percent. With the exception of East Germany, all the eastern countries imported less cocoa beans in 1966 compared with their 1965 purchases.⁷

Pattern of Trade.

In general, the Ghana-Soviet-bloc trade and aid did not follow any steady pattern. It was characterized by fluctuations which might have been due to changes in the allocations of resources required by national economic plan. Another important trait of the trade and aid was that it was confined to traditional commodity exchanges. Ghana continued to supply agricultural raw materials while the bloc nations supplied Ghana with manufactured goods. The relations remained the stereotype economic relations between less developed economies and the developed industrialized economies. This situation, of course, accounted for the lasting economic ties between Ghana and the bloc nations. Although Ghana hoped to reduce her dependency on more advanced nations for her economic needs, in the final analysis, Ghana could not but depend on the bloc nations for most of her industrial needs. This relationship brought back the yoke created between (neo-colonialists) industrialized nations trading with Ghana. Disparities in high prices for manufactured goods

⁷Ibid., p. 51.

and low prices for primary raw materials, were of great disadvantage to continued trade.

In 1965, for example, 46.6 percent of all goods imported from the bloc nations into Ghana consisted of manufactured goods classified chiefly by material. Machinery and equipment added up to 24.3 percent.* Ghana on the other hand, exported 95.63 percent of food and live animals to the bloc nations. Despite the increased volume, the value of exports did not balance the value of imports, hence Ghana showed trade deficit.

Economic pull of the bloc nations -- a boom or a bust?

As importers from Ghana, the bloc nations made their impact on the Ghanaian market as buyers of raw materials and their impact as suppliers of finished goods was felt in various sectors of the Ghanaian economy. Considering the fact that the bloc nations trade and aid commitments to Ghana were of recent development, and that trade with the bloc nations added up to a small portion of Ghana's total foreign trade, the trade and aid with the Soviet-bloc nations exerted a considerable pull on Ghanaian trade. The bloc nation's impact was significant because it was exercised at a time when the western nations were cutting back their trade and aid to Ghana. The bloc nations willingly supplied most of Ghana's industrial needs. Ghana then became the outlet of their finished products which were needed to start Ghana's massive industrialization programme.

*See Table V, p. 41.

Under trade and aid agreements there was an increase in trade, technical, scientific and cultural exchanges between Ghana and the Soviet-bloc nations. These exchanges were conducted in the spirit of mutual advantage. We may ask, "did Ghana really benefit from these trade relations?" An answer to this question is given in the following paragraphs.

Ghana did realize her objective of diverting portions of her trade from the traditional trading partners to new partners. In doing so, Ghana expanded her market for raw materials. One of Ghana's objectives for extending trade with foreign nations, was to obtain more foreign exchange. In pursuing this objective, Ghana increased her cocoa exports to the bloc nations. But, besides cocoa, Ghana's exports were limited hence the bloc nations were limited in their choice of import goods. Ghana continued to import more manufactured goods while her export earnings were unable to pay for the import bills. The result was unfavourable trade with the bloc nations. Until 1966, Ghana experienced serious unfavourable balance of payments and the prospect of salvaging her foreign exchange through expanded foreign trade, was dissipated. The resale of cocoa by the bloc nations (especially by the Soviet Union) to Ghana's prospective customers undermined Ghana's chances of earning extra foreign exchange. The communist-bloc nations however, were successful in expanding the markets for their manufactured items and in demonstrating their willingness to assist Ghana in achieving her industrial expansion -- the major pre-occupation of the government of Ghana.

Industrialization projects in Ghana proceeded at an unprecedented rate through Soviet-bloc industrial supplies. This argument is supported by the fact that imports into Ghana were dominated mostly by manufactured goods from the bloc nations.

The Ghanaian industrialization scheme had among its prominent objectives both the earning of more foreign exchange by increasing the value of exports of locally processed products and the saving of foreign currency by substituting locally produced goods for imported manufactured items. The "ambitious" industrialization projects in Ghana with the help of bloc nations did not realize these goals. The failure of import-reducing industries in Ghana may be due to various reasons including lack of foresight, inefficient management, under-utilization of expensive plants as well as the size of the market. The Economist remarked,

The haphazard acquisition of new factories was accompanied by widespread incompetence in running them. This was partly because the management of state industries was increasingly turned over to the party hacks while padded payrolls added their own deadweight (according to one spokesman of the present government, the 55 state corporations could be run with 60,000 men instead of the 100,000 employed.)⁸

Up to 1965, import-substituting industries have not in any appreciable way shown promising signs of their capacity to change the time-long Ghanaian pattern of foreign trade by decreasing the importation of foreign manufactured goods.

⁸ The Economist, ibid., p. 555.

Ghanaian exports continued to be dominated by agricultural products and imports by manufactured goods despite rapid industrialization. The only change worthy of keen observation was the ratio of consumer goods to manufactured capital goods in Ghana's imports. Though consumer items formed a small portion of the total import value, their significance may not be underestimated. In a sense, increased consumer goods would in the long run contribute towards the improvement of the quality and efficiency of the labour force and eventually increase industrial and agricultural productivity.

Ghana's economic relations with the bloc nations introduced new practices into the agricultural sector as it did in other sectors. Small scale farming which was very typical of the pre-independence years continued to be of little relevance to the economy. "Ghana's agricultural output depends almost wholly on $1\frac{1}{2}$ million peasant farmers cultivating holdings that average less than 4 acres, even 20 percent of the population, therefore does not produce enough food for the nation."⁹ To increase agricultural productivity and diversification of cash crops, the government of Ghana engaged in large scale commercial farming.

Until the post-independence years, the government of Ghana did not actively participate in farming of any kind. The government provided technical assistance to farmers. By 1963, the government had added direct participation to its

⁹Ibid., p. 564.

role. With the help of Soviet-bloc advisors, numerous experimental agricultural projects were started by the state owned and controlled corporation, the State Farms Cooperation. The idea of state owned farms demonstrates the influence of the Soviet-bloc nations in Ghana.

In 1965, a total of 64,264 acres of land were cultivated by the State Farms Corporation with the aid of Soviet-bloc specialists. Although there were considerable increases in acreage over the previous year¹⁰ and according to the Ghana Economic Survey,

The output of the organizations engaged in it have not made any noteworthy impact on total agricultural production. This situation is unsatisfactory when it is considered that enormous public investments have been sunk into these organizations.¹¹

In agriculture, both small farmers operating on a small scale and the state farms operating on a large scale suffered, according to the Economist of August 16, 1966,

It was the agricultural program itself that most damaged small farmers as the cooperatives were followed, in 1962, by state farms. Seeds, fertilizers, machinery and experts were lavished on the state farms and cooperatives, while private farmers were largely deprived of the help and advice they had formerly received, ... party functionaries put in charge ... became demoralized.

Less than 5 percent of the land acquired by cooperatives had been cleared when the cooperatives were dissolved this year (1966), because farmers coerced into them went on cultivating their own farms whenever they could.

¹⁰ Ghana Economic Survey, 1966, ibid., p. 53.

¹¹ Loc. cit., p. 53.

The 105 state farms, which remain in existence, have so far been producing ¹¹ million a year and costing ¹² 5 million a year.

Despite the fact that the state farms were operating at a loss, employment improved in the public sector of agriculture. However, the private sector suffered because most of the labour on state farms was drawn from the private sector.¹³ The same is true of employment in industries. There was a high level of employment in the state owned industries; as in agriculture, private industries lost their employees to state owned industries¹⁴ because they could not operate at full capacity for lack of raw materials and spare parts.

The direct intervention and participation in the economic activities by the state was facilitated by extensive trade and aid from the Soviet bloc nations. As the only authority capable of negotiating with the bloc nations, the state acquired and owned most of the means of production. Foreign investments (mostly western) dried up and local business activities slowed down. These developments brought Ghana closer to her avowed goal of establishing a "socialist economy" which was approved by the other "socialist" countries.

But the increased state ownership of the means of production was not an immediate panacea for Ghana's economic problems. The Soviet-bloc economic exchanges were just one

¹²Economist, ibid., p. 564.

¹³Economic Survey, 1966, ibid., p. 98.

¹⁴Loc. cit., p. 98.

of the various measures taken to alleviate the economic problems which faced the nation. The economy showed declining growth rates. From the 7.5 percent indicated in that year, the rate dropped to 3.2 percent in 1961, followed by a rise to 5.3 percent in 1962, only to drop to 2.7 percent in 1963 and then rise to 2.8 percent in 1964. By 1965, the economy's growth rate was a mere 0.2 percent.¹⁵ The Economist asserted:

Ghana's real national income had risen about 25 percent a head since 1957, despite a 30 percent increase in population over the past nine years and a 50 percent increase in retail price over the past two years).¹⁶

The nation was plagued by shortages of consumer and industrial goods as well as inflation. Food was in short supply but the agriculture programme was not adjusted well enough to meet the demand; food had to be imported under the import control measures already mentioned. Another factor which contributed to the deterioration of the economy, was falling prices of cocoa in the commodity market. In the past years, Ghana had depended on about 65 percent of her total export earnings from cocoa, but revenue from the industry fell in response to falling world cocoa prices. Ghana's foreign reserves valued at \$560 million in 1957 had dropped to \$25 million. Rapid industrialization continued while deficits in the balance of payments persisted. In short, the economic situation was "chaotic" in spite of

¹⁵ Ghana Today, Vol. 10, No. 21, December 14, 1966, p. 4.

¹⁶ The Economist, ibid., p. 552.

Soviet-bloc economic aid.

During this critical period, aid from the western world was reduced, hence the World Bank agreed to give financial assistance to the stricken nation on condition that Ghana divest herself of communist-bloc affiliations (the Soviet-bloc is not a member of the World Bank) and that Ghana would allow periodic examination of her economic progress. This was considered as undue interference in the nation's affairs, hence the proposal was rejected by the Ghana government. Private investors withheld their capital for fear of nationalization of their enterprises, although the Ghana government had given them assurance of adequate protection, repatriation of their profit and just compensation in case of appropriations.¹⁷

The communist-bloc nations, which endorsed Ghana's economic and political goals provided most of the industrial and economic needs of Ghana. They increased the value and volume of their trade and aid. The assistance helped to expand the industrial base in Ghana but it was not sufficient to propel the economy into high gear for a "take-off"; it was devoid of a "big-push" element necessary in a pre-industrial economy. Consequently, Ghanaian economy did not grow. In addition to causes which might have contributed to Ghana's economic failures already mentioned, the most important single factor may be due to the manner in which the available

¹⁷Ibid., p. 555.

resources were allocated. It has been alleged that the government constructed "unproductive and grandiose projects", "incompetently planned, incompetently coordinated and incompetently carried out."¹⁸ Inexperience, excessive centralization in the decision-making apparatus as well as attempts to solve economic problems with political slogans may have been the bane of Ghanaian economic growth.

As a result of "mismanagement of the economy", the Nkrumah government which was disposed favourably toward the communist-bloc nations was overthrown by the joint forces of the army and the police. Domestic economic and political policies coupled with other external forces quite beyond the least control of the Soviet-bloc nations, wrecked most of the trade and aid efforts for economic reconstruction in Ghana. The economic system was torn between centrally planned economy (with greater emphasis on government ownership of means of production) and "mixed economy" characterized by government ownership of public utilities, operating side by side with private ownership of the means of production. Goldman in his book, Soviet Foreign Aid brought the Soviet-bloc economic performance into proper focus when he wrote,

Communist efforts in other parts of Sub-Sahara have not been much more rewarding than in Guinea. The expulsion of Russian officials from the Congo is a well known story. Soviet foreign aid experience in Ghana, until February, 1966, while politically more effective was not very successful in economic terms. After the ouster of

¹⁸ Ibid., p. 173.

President Kwame Nkrumah in February, 1966, there were major questions about the political success.¹⁹

The Ghanaian national economic policies belied all efforts made by foreign governments both eastern and western. It would therefore be an oversimplification and arbitrary to describe the Soviet-bloc effort as a complete failure. By the same token, it would be wrong to overstress any amount of success the bloc nations might have achieved by February, 1966.

Post-coup adjustment toward economic stabilization.

The economic failures and the general dissatisfaction with Nkrumah's political statements, culminated in his downfall. The ruins of government was taken over by the National Liberation Council which embarked on prompt restoration and serious reconstruction of the economy. Their short time objective was to bring the economy to normalcy and eventually restore a "mixed economy" and to disregard the "socialist economy" as propounded by the previous administration.

To achieve these goals, the new administration renewed Ghana's trade and aid policies toward the western nations. The western nations responded promptly by increasing their trade and giving aid to meet the emergency. The State Cocoa Marketing Board reported that the United States was the leading purchaser of Ghanaian cocoa during the 1964-1965 season. The United States purchased 124,050 tons of the 567,769 tons

¹⁹Goldman, ibid., p. 173.

of cocoa beans exported. Other major purchasers included West Germany with a total of 73,169 tons and the Netherlands with 58,540 tons. The United Kingdom purchased 28,410 tons.²⁰

The significance of the new trade policy was that Ghana redirected her trade policy toward the west and earned more foreign currency to balance her trade deficits which had accumulated during the past many years. Commodity exchanges with the bloc nations was discouraged.

In addition to the expanded trade, other economic aid was given to Ghana. On March 30, four U.S. Air Force transport planes flew 25 tons of powdered milk to Accra as the first installment of a 500 ton gift to help alleviate milk shortage; and the Royal Canadian Air Force brought 6,000 tons worth of spare parts for the Ghana Air Force. The U.S. and Ghana governments signed a loan agreement under which the U.S. government under PL. 480 will provide Ghana with \$7,460,000 worth of food and other farm commodities. West Germany promised to lend about \$3,600,000 toward Ghana's economic recovery, half of the loan will be used to finance importation of essential commodities, e.g. (spare parts, raw materials and pharmaceutical products) from West Germany, and the other half will finance Ghana's hydroelectric distribution system in Accra. Both loans will have a seven year grace period.²¹ Ghana admitted specialists from the World Bank to

²⁰Africa Report, March, 1966, p. 33.

²¹Ibid., May, 1966, p. 41.

study the Ghana economic situation and submit recommendations for reconstruction of the economy and repayments of debts to western governments were renegotiated.

To stabilize the economy, most of the state owned enterprises and unproductive projects were suspended. Government expenditures were drastically reduced. Russian and Chinese experts engaged in various projects, teachers as well as doctors were expelled from Ghana.²²

The new administration renewed the economic and diplomatic relations initiated by the previous government with the view to pursuing Ghana's policy of non-alignment and "positive neutrality." However, under the new regime, the bloc nations were relegated to an inferior role in trade and aid. The overthrow of the Nkrumah government and the enthusiastic welcome of the western nations thwarted the Soviet-bloc objectives in Ghana. Soviet influence in Ghana was eclipsed. Izvestia, the Soviet government newspaper, commented that the military takeover was directed against the entire independent Africa. Viktor Kudryavtsev remarked that the new economic reforms and the reintroduction of private ownership into industry had particularly disturbed the Soviet government.²³

It is obvious that one of the Soviet objectives was the substitution of state ownership and control through the adoption of "socialist economy" for private ownership in

²²Boston Globe, March 2, 1966, p. 6.

²³Ibid., March 6, 1966, p. 18.

Ghana. This objective impregnated with political overtures was short lived.

However, their objective of expanding the market for their manufactured goods was partially successful because the bloc nations could not supply all the necessary goods -- "barter deals with the communist-bloc nations were struck in return for often useless equipment and unwanted consumer goods."²⁴ Despite these disadvantages, there is evidence to show that economic relations would be promoted probably under different trade and aid terms.

This point may be illustrated by the fact that in 1965 there was a trade diversion from the communist-bloc nations to the sterling area. Trade dropped from 23.8 percent of Ghana's total trade in 1965 to 18.1 percent in 1966. The fall in trade made the bloc nations the third most important trade partner followed in the second place by the dollar area. There was a small increase in the share of Ghana's trade with European Economic Community and the sterling area.²⁵

The decrease was attributed to the new policy of cancelling all trade and aid agreements which were of less use to national interest.²⁶

Future prospects for Ghana-Soviet-bloc trade and aid relations.

Despite the trade set-back, Ghana has signed protocol

²⁴ New York Times, February 26, 1966, p. 8.

²⁵ Ghana Economic Survey, 1966, *ibid.*, 1936.

²⁶ Ghana Today, Vol. II, No. 17, October 18, 1967, p. 4.

agreements with the communist-bloc nations. Mr. Jan Poula, Czechoslovak Deputy Minister of Trade, on behalf of his government, signed a long-term trade agreement with Ghana. Ghana agreed to exchange cocoa, cocoa products, timber, coffee, rubber, aluminum and industrial diamonds for machinery, transport equipment and other miscellaneous manufactured articles.²⁷

In the face of uncertainties resulting from economic and political developments in Ghana, the question is, what are the future prospects for Ghana-Soviet-bloc economic relations? As has been indicated, the uncertainties prevail in almost all areas of political and economic activities in planned economies and in an underdeveloped economy as well, hence any future predictions should be made with caution. Inasmuch as the "cold war" continues and human wants persist, economic exchanges between the two nations would continue. The terms of trade and aid may be ratified.

Over the years, Ghana has enjoyed the advantages of increased markets for its raw materials and although it depends on the west for large portions of its products, Ghana cannot afford to lose the small but significant trade and aid with the bloc nations.²⁸

Communist-bloc nations have already invested in Ghana and despite changes in Ghanaian economic policies towards these nations, the latter is back on the economic scene.

²⁷ Ghana Today, Vol. 10, No. 25, February 8, 1967, p. 5.

²⁸ Berliner, op. cit., p. 101.

This leads to the conclusion that chances are that in the near future there would be economic exchanges for mutual benefit. More probably, some form of economic programmes channeled towards humanitarian reasons may be continued. Still, as tastes and economic needs change, trade and aid may be conducted on an ad hoc basis. Berliner confirmed this point when he pointed out that,

As the economies of bloc countries become adapted to increased trade with underdeveloped countries, it may well become more difficult to halt that trade if Moscow (and other capitals),* should wish to do so in the future.²⁹

On the other hand, continued trade and aid may be terminated when any trading partner reaches a "saturation point" (the level where the demand for any particular commodity is inelastic).³⁰ Changes in economic relations in other parts of the world may indicate the urgency of the continued economic relationship. The growing need for economic-cooperation between developed nations has set the stage for developing nations in the future economic affairs.

Ghana as a developing country would for many years to come depend upon foreign capital for investments, markets, and manpower developments. It is therefore reasonable to say that since Ghana is "not eager to accept communist tutelage," or western imperialism, it would maintain economic relations

*Italics my own.

²⁹Ibid., p. 87.

³⁰Frederick L. Pryor, The Communist Foreign Trade System, (Cambridge, Mass.: The M.I.T. Press, Massachusetts Institute of Technology, 1963), p. 185.

with all to ensure the availability of necessary commodities for economic growth and development and at the same time pursue its policy of non-alignment. This holds true for the entire Sub-Sahara region.

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